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**CENTRAL INTELLIGENCE AGENCY**

State Department review  
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FAR EAST

3. Japan again rejects UN demand for exclusive criminal jurisdiction:

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[Redacted]

Japan has rejected the UN Command's 12 November demand that United Nations forces in Japan be granted jurisdictional treatment equal to that granted American forces, according to Ambassador Murphy. The memorandum presented by Foreign Minister Okazaki to the Ambassador on 22 November also attacked the US administrative agreement as "bitterly resented by the Japanese people." He subsequently withdrew it when Murphy expressed "shocked surprise."

Murphy believes that the Japanese are stalling on the criminal jurisdiction issue in hopes of paving the way for a modification of the administrative agreement. He also feels that Okazaki has found the issue an ideal one to meet criticism of his "weak-kneed diplomacy."

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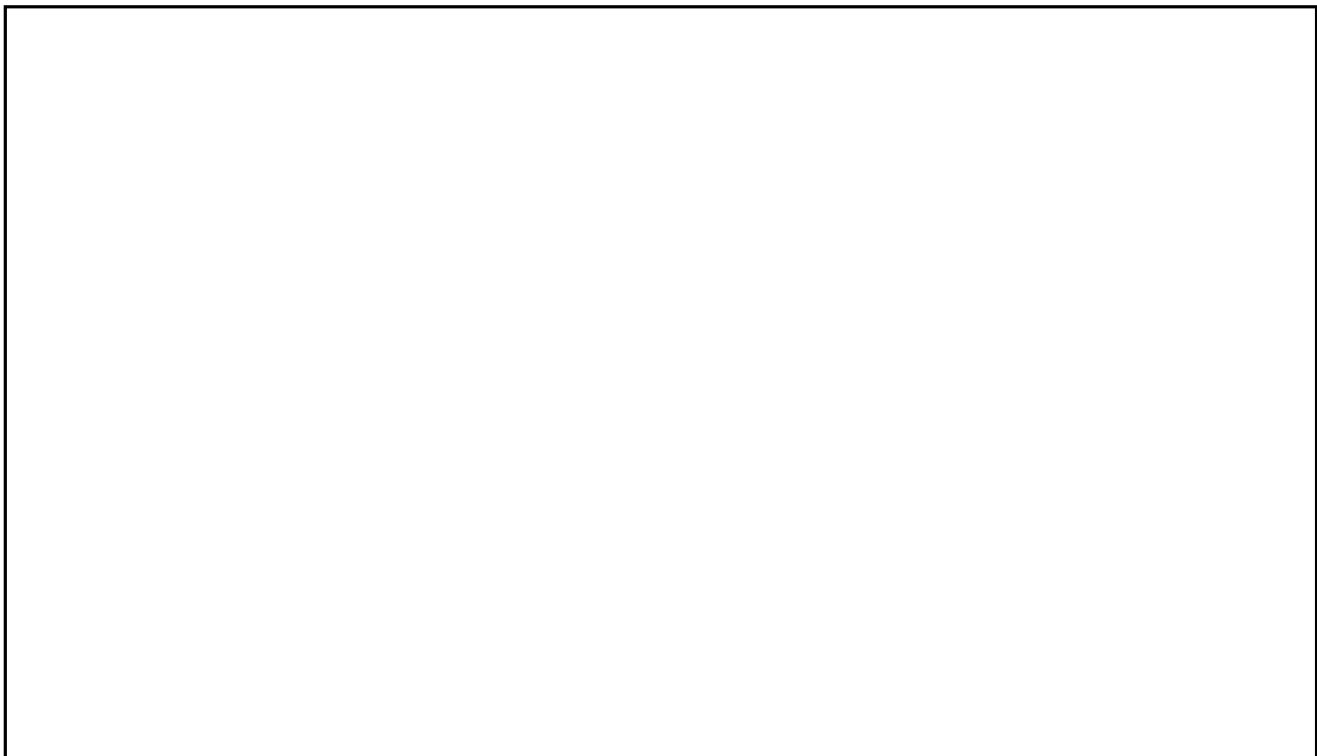
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Comment: The Japanese press, in presenting the issue as a surrender of sovereignty, has aroused public opinion to the point where the government's survival would be threatened if it acceded to the demands of the UN Command. The opposition parties are not only against granting jurisdictional rights to the UN forces, but are now unanimous in demanding a revision of these clauses in the US-Japan security treaty arrangements.

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## NEAR EAST - AFRICA

6. Comment on Iraq's political crisis:

The appointment on 23 November of the pro-British Iraqi Chief of Staff, Lieutenant General Nur al-Din Mahmud, as Prime Minister will probably not bring an end to Iraq's political crisis. The general's control of the army will enable him to maintain internal order, but since he is apparently little interested in politics and has no platform, his appointment will hardly satisfy the popular demand for political and economic reforms. Moreover, his appointment as Chief of Staff in July 1951 aroused strong opposition because he is a Kurd, and because of his alleged mismanagement of the Palestinian war.

The imposition of martial law in Baghdad, the suspension of the press and the dissolution of political parties will not halt the unrest, which springs from the opposition to projected plans for the forthcoming elections. Aroused public sentiment puts greater pressure on Iraq's governing classes to grant sorely needed reforms. It also creates an unfavorable atmosphere for renewal of the Anglo-Iraqi Treaty, for agreements with foreign oil companies, and for bringing Iraq into MEDO.

7. Foreign Minister states Israel's position on repatriation of Arab refugees:

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Foreign Minister Sharett told the American Embassy that Israel's position on repatriation of Arab refugees is firmly fixed, that no useful purpose would be served by increasing the

number of Arabs now in Israel and that solution of the problem lies in "resettlement and compensation." Sharett added that Israel has no plans for payment of compensation. It does not even know where it will get funds to pay the recently unblocked Arab accounts.

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Comment: Israel's financial plight is acute; nevertheless, its unwillingness to accept the return of any of the 880,000 refugees and its insistence that it has no funds for Arab repayments again underscores the improbability of any settlement between Israel and the Arabs.

#### WESTERN EUROPE

##### 8. Increased anti-church activity anticipated in East Germany:

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American officials in Berlin are inclined to agree with Bishop Dibelius that the probable consequences of the cancellation of the intended visit to Moscow will be a stepped-up Communist campaign against the Protestant church in East Germany. The East German Communists may take the withdrawal of the invitation as a cue for the "quiet implementation" of anti-church measures already in the making.

Dibelius' recent vigorous denunciation of the East German regime may have been the immediate cause of Moscow's decision, but the realization that Dibelius is not so easily exploited as such churchmen as Niemoeller may also have been a factor.

Comment: While further harassment of the church in East Germany is expected, the Communist need to develop broad all-German opposition to Bonn policies will probably govern the timing of any new measures.

##### 9. Pinay's fate in doubt in forthcoming Assembly debates:

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The American Embassy in Paris expects the National Assembly debates of 2 and 4 December on general fiscal and foreign

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policies respectively to be a real test for Premier Pinay's over-all program.

Despite warnings that Pinay is "very close to being overthrown," the Embassy is reassured by the absence of real interest among opposition elements in provoking a crisis, probably because they cannot conceive of a feasible political realignment.

Comment: Pinay's chances of surviving next week's test votes are only fair. He will probably be in greatest danger in the vote on the over-all budget bill, when his insistence on including unpopular fiscal reform proposals will run the risk of irresponsible Peasant Party and Gaullist opposition.

10. Italy seeks approval to ship embargoed ball bearings to Poland:

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The Italian Foreign Ministry has instructed its COCOM delegate to request exception for List I ball bearings exports to Poland amounting to \$450,000. Rome is convinced that refusal to ship the ball bearings will result in a drastic reduction of trade with Poland. Imports of Polish coal, the most important item of Italo-Polish trade, are already running at only 62.5 percent of last year's rate.

The Italians argue further that most of the bearings on order are for equipment previously purchased in Italy and not of great strategic importance, and that it is desirable to make the Poles dependent on Italy for maintenance items.

Comment: Italy is probably under pressure to make at least partial shipment of the \$900,000 worth of List I bearings on order from Poland. On September 24, Italy promised to reduce this order by \$220,000, but has experienced trouble in finding alternate markets because of recent British and French import restrictions.

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The decline in Italy's imports of Polish coal is attributable to the high price of the coal rather than to Italy's failure to export bearings.

11. Madrid ready to speed conclusion of US base rights agreement:

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[Redacted]

Foreign Minister Artajo indicated to Ambassador MacVeagh on 19 November that he would authorize the Spanish military experts to bring the technical aspects of the US-Spanish base rights negotiations to a speedy conclusion. His past reluctance to order this decisive step was apparently overcome by MacVeagh's formal assurances that American requirements for peacetime facilities would be held to a minimum.

Comment: Franco is known to oppose the type of peacetime arrangements obtained by the United States in Morocco and the Azores. Artajo had postponed this decision largely because of the erroneous belief, which he held until his 19 November interview with MacVeagh, that payment of the \$125,000,000 earmarked for Spain could be authorized prior to conclusion of the base rights agreement.

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